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**Comments of the
Association of Global Automakers, Inc.
 on the
 Safer Affordable Fuel-Efficient Vehicles Rule**

Docket ID Numbers: NHTSA-2018-0067 and EPA-HQ-OAR-2018-0283

October 26, 2018

The auto industry plays a critical role in the U.S. economy, supporting ten million jobs in all 50 states. It is also an industry in transition, as automakers and other innovators are transforming personal mobility with revolutionary advances in powertrain technology and vehicle automation. That is why now, more than ever, the industry needs smart regulations that support investment and innovation in this country.

Global Automakers represents the U.S. operations of international motor vehicle manufacturers, original equipment suppliers, technology companies, and other automotive-related trade associations. Our member companies design and build cars, light trucks and components in the U.S. at 25 manufacturing plants, supported by 39 research and development facilities. Our members account for over 40% of all vehicle production in the U.S. and employ over 100,000 Americans at facilities across the country.

Global Automakers' member companies are manufacturing more fuel efficient and cleaner cars and trucks than ever before, with continued improvements underway and commitments to offer even more vehicles with advanced technologies in the near future. At research and development facilities in the U.S. and around the world, our members have engineered many fuel-saving innovations, including engine and transmission refinements, aerodynamic improvements, expanded use of lightweight materials, and reduced ancillary loads, among other technologies.

Our members have also brought to market dozens of alternative-fuel models, including plug-in hybrid-electric and battery-electric vehicles, both of which use electricity from the grid to power the vehicle, and fuel cell electric vehicles, which use onboard hydrogen to propel the vehicle by converting it to electricity via fuel cells. Examples of these electric-drive vehicles now in the market include the Toyota Mirai Fuel Cell, Honda Clarity Fuel Cell, Hyundai Ioniq battery-electric and plug-in hybrid electric, Nissan LEAF battery-electric, and Kia Soul battery-electric vehicles.

These technologies are integral to our members' long-term goals of providing highly efficient, low carbon transportation to their customers and keeping pace with technology trends around the world. To further these goals, members of Global Automakers have supported the "One National Program" (ONP or National Program) for federal greenhouse gas (GHG) and Corporate Average Fuel Economy (CAFE) regulations since its inception in 2009. This commitment included a midterm review of the regulations promulgated in 2012 as part of the MY 2017-2025 standards.



We believe the Administration took the correct steps in reaffirming the government's commitment to a robust and data-driven midterm review when it vacated the January 2017 rushed-through Final Determination on the model year (MY) 2022-2025 standards by the previous Administration and then issued a Revised Determination in April 2018. The April 2018 Revised Determination was based on updated data and information and demonstrated that the current MY 2022-2025 standards are no longer appropriate in light of changed market realities, including:

- Changing sales volumes (peak sales of 18.1 million in 2016 to 17 million in 2017);
- Smaller-than-expected fuel efficiency gains in MY 2016 and MY 2017;
- Changes in the car and truck fleet splits (in 2012, the projected car/truck split was 67%/33% for MY 2025, but the current car/truck split has changed significantly to 48.5% cars/51.5% trucks); and
- Lower than expected gasoline prices (in 2012, EIA reference price forecast of \$3.86/gallon for gasoline in 2025 (in 2010 dollars), and now the projected price is \$2.92/gallon (in 2016 dollars)).

These examples are only a few of the significant industry changes since the 2012 final rule and the previous midterm review. We agree with the agencies' conclusion to revise the standards. In addition, while the midterm review was intended to address MY 2022-2025, we agree with the agencies' proposal to adjust the MY 2021 standards based on data indicating compliance issues for that model year and the need to smooth the path for year-over-year improvements from 2020 through 2026.

The National Highway Traffic Safety Administration's (NHTSA) and Environmental Protection Agency's (EPA) Notice of Proposed Rulemaking (NPRM) on the Safer Affordable Fuel-Efficient (SAFE) Vehicle Rules [83 FR 42986, August 24, 2018] is an important first step in determining what those adjustments should be. The agencies provided a new, updated analysis based on the most up-to-date data, using a proven and long-developed modeling tool, known as the Volpe model, and offering numerous options to best determine the right regulatory and policy path for ongoing fuel efficiency improvements in our nation. Now, all stakeholders have an opportunity to come to the table as part of the public process to provide input, data, and information to help shape the final rule.

The standards affirmed by the previous Administration in its waning days clearly needed to be revised. The revisions we support, as summarized below and discussed in detail in our submission, should provide for continuous improvements, flexible mechanisms for compliance in improving fuel economy and reducing GHG emissions, and the maintenance of ONP for regulating fuel economy in the most efficient and effective manner possible. Global Automakers' position on the proposed rulemaking can be broadly summarized as follows:



1. The standards should continue the progress automakers have made in improving fuel economy and reducing greenhouse gas emissions.

Fleet-average fuel economy has improved over 11 percent since 2011, from a combined average of 29 miles per gallon to 32.2 miles per gallon.¹ It is important to continue this progress of improving efficiency year over year through MY 2026 and beyond.

The SAFE Vehicles NPRM seeks comment on nine options for increasing stringency going forward. These options range from the agencies' "Preferred Alternative" (Alternative 1) of maintaining the existing standards through MY 2020 and then keeping them flat through MY 2026; to the "no action" alternative of keeping and codifying the current augural standards in place through MY 2026; to Alternatives 2 through 8, which propose various increases in stringency, with options for differing ramp rates for passenger cars and light trucks, combined with either keeping or phasing out air conditioning efficiency and off-cycle credits.²

In our view, none of the proposed options would yield the most optimal policy outcome—meaningful increases in fuel economy, feasible standards that encourage ongoing innovation and investment, and significant environmental benefits that support a continuation of One National Program with California. It is critical that the agencies work with all stakeholders to achieve these important objectives. Doing so will help keep the U.S. auto industry competitive in a worldwide market that is transitioning to lower-carbon transportation and is continuing to invest in the U.S. auto manufacturing sector. It will also help the auto industry thrive under a level, smart and efficient regulatory playing field.

In proposing its Preferred Alternative, the agencies relied heavily on the estimated net benefits from its modeling. The overwhelming majority of those benefits result from a new Dynamic Scrappage (DS) module that attempts to assess the impact of lower standards on fatalities and the associated societal costs. We have found a number of anomalies in this module that call into question its reliability, and therefore recommend that it not be used by the agencies in determining the appropriate standards. When the DS module is disabled, the predicted benefits of the Preferred Alternative become negligible.

A unified national program needs to take a balanced approach to fuel economy and emissions performance to ensure that the standards are aligned with market realities. American consumers play a large role in determining the success of the program. Car buyers weigh a number of factors when purchasing a new vehicle, such as vehicle utility, features, safety, fuel economy, and price, and their needs and preferences vary widely across the country. Global Automakers has cited concerns with increasing vehicle prices in our previous comments, and those concerns remain, but that should not prevent continuing progress. Bringing a balanced approach to the regulations that continues progress each year provides an important signal to industry to pursue cost-effective strategies to improving fuel efficiency that also meet customers' needs.

¹ National Highway Traffic Safety Administration. *Fuel Economy Performance Report*. Retrieved from: www.nhtsa.gov/cape_pfc.html. October 17, 2018.

² Global Automakers supports the use of the Volpe model to assess the technical feasibility of the standards.



2. The regulations need to provide automakers with flexible compliance pathways.

The current fuel economy and GHG emission standards include a number of regulatory mechanisms that provide automakers options for cost-effective compliance management and allow them to determine the best approaches to comply, given diverse product mixes. These include: (a) credits for early compliance, which help smooth compliance over multiple years and recognize efforts to invest early in fuel-saving technologies; (b) the off-cycle program and air conditioner efficiency program, both of which account for real-world fuel economy improvements that cannot be measured in the prescribed test procedures and can provide important cost-effective options for achieving the fuel economy targets; and (c) advanced technology credits, which support the country's leadership in electrification.

Each of these programmatic tools and flexibilities should be retained, improved and strengthened; this is a chance for the agencies to make policies designed under the previous rule work more efficiently and as intended. Walking away from them now could have the serious negative impact of making the standards more stringent and costlier for manufacturers. Automakers and suppliers have invested billions of dollars in developing advanced technologies that have been incentivized by the current standards, whether under the advanced technology multiplier or the off-cycle and air conditioner programs. Should the agencies jettison these programmatic elements, these significant costs could be stranded, thus placing industry jobs at risk. This package of compliance mechanisms can, and should, continue to promote ongoing innovation and efficiency improvements in our industry as part of the final rule.

The NPRM also asks for comment on two additional aspects of EPA's GHG program—air conditioning (A/C) leakage and methane and nitrous oxide standards—that differ from NHTSA's standards, because these result in real world GHG emissions reductions rather than fuel efficiency improvement. Global Automakers supports the continuing inclusion of these elements in the regulations, because they are complementary to EPA's program, and are better managed through a coordinated federal policy. They are also important to maintaining regulatory flexibility through real GHG emission reductions and would prevent the potential for additional bifurcated, separate programs at the state level.

Specifically, Global Automakers recommends that in addition to setting a strong and feasible ramp rate for year-over-year fuel efficiency improvements (equally for passenger cars and light trucks), the final rule should include a package of programmatic elements that provide automakers with flexible compliance options that promote the full breadth of vehicle technologies. This package should consist of the following items:

- Multipliers for advanced-technology vehicles through MY 2026 set at values that encourage ongoing investment in advanced technologies, without diluting overall efficiency improvements in the program.
- Upstream emissions for electric-drive technologies permanently set at zero grams per mile (0 g/mi).



- Strong hybrid electric vehicle (HEV) credits for light-duty trucks amounting to 20 g/mi, with no sales threshold minimum and no performance requirement for the 2021-2026 MY. The agencies should consider a smaller incentive for passenger cars as well.
- A one-time expiration date extension through MY 2026 for GHG credits earned in previous years; the agencies should determine the applicable model years eligible for the extended carry-forward.
- An increased off-cycle credit cap raised to 15 g/mi, and an updated “pick list” with the most recent data concerning the values of the technology efficiency improvements.
- Additional improvements to the off-cycle program, including:
 - Blanket approval for applications using specific technologies and calculation and measurement procedures;
 - Development of procedures to allow suppliers to apply for provisional credit at the system or “pre-vehicle” level;
 - Acceptance of the European Union eco-innovations process to help manage resources and speed up technology improvements;
 - Pre-approval of calculations and measurements prior to demonstration; and
 - General regulatory fixes critical to improving the efficacy of this program.
- No GHG curve adjustments or GHG test procedure adjustment resulting from a change to E10 test fuel.
- Inclusion of air conditioning refrigerant leakage and nitrous oxide and methane emissions standards for compliance with the EPA standards for all model years, even if it means a divergence from the NHTSA standards.

3. The agencies should work with California to ensure the continuation of “One National Program.”

One of the key elements of the 2010 and 2012 rules from the industry’s perspective is that they provide One National Program (ONP), which harmonizes separate federal and state regulatory requirements and allows manufacturers to comply by producing a single fleet of vehicles for all 50 states. In the alternative, manufacturers and consumers would be faced with a patchwork of unworkable standards that would skew vehicle sales and production. Global Automakers appreciates the commitment expressed by the agencies in the NPRM to ensure that automakers are not faced with inconsistent and overlapping federal and state standards. However, we do not believe that the means proposed to achieve this important goal are necessary—*i.e.*, asserting preemption under the Energy Policy & Conservation Act and withdrawing California’s waiver under Section 209(b) of the Clean Air Act. Taking these steps would lead to years of litigation and uncertainty and make it extremely difficult for automakers to plan their long-term investments. It could also force automakers to comply separately with more stringent California regulations in the interim while litigation is ongoing, thus increasing compliance costs and adding uncertainty surrounding the regulations.



The benefits of an ONP cannot be overstated. The industry needs a coordinated set of standards between NHTSA, EPA and the California Air Resources Board (CARB) so manufacturers can allocate their resources to new and innovative technologies, instead of efforts to comply with inconsistent standards with mixed policy signals. Any action that maintains ONP would obviate the need to address California authority under preemption or the Clean Air Act but achieves the same goal of providing regulatory certainty and reducing regulatory overlap. Therefore, Global Automakers emphasizes that maintaining ONP through MY 2026 and beyond requires CARB's participation, along with EPA's and NHTSA's, and compromise among all of the agencies to determine the right policy outcome.

We understand that since the release of the NPRM, regulators from EPA, NHTSA and CARB have renewed discussions in an effort to reach a joint outcome for this rulemaking. Global Automakers hopes that these discussions will continue and is offering our industry perspective in these comments to help provide an underlying framework that can inform the final outcome. Our hope is that these discussions will result in a continuation of ONP that properly balances innovation, compliance, and customer needs, while at the same time improving upon the previous regulations.

In the following attachments to this comment, Global Automakers provides detailed input on the proposed SAFE Vehicle NPRM, examining a number of factors we hope the agencies will consider in not only determining the appropriate stringency of the standards out through MY 2026, but also creating a balanced and smart regulatory approach to ongoing fuel economy and GHG standards that is consistent with current market and technology trends.

We appreciate your consideration of our comments. For questions regarding these comments, please contact either:

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